

# JOYCE

## JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)

---

---

INTERIM REPORT TO SHAREHOLDERS

for the half-year period ended 30 September 2003

---

---

致股東中期報告書

截至二〇〇三年九月三十日止半年度

---

---

---

## GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2003 amounted to HK\$1.5 million, compared to a loss of HK\$11.3 million in the same period last year. Earnings per share was 0.1 cent.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2003 (2002: Nil).

## BUSINESS REVIEW & PROSPECTS

Turnover achieved for the reporting period is HK\$252.4 million, which is 1.2% higher than same period last year. As a result of stringent control on the overheads and an exchange gain of HK\$13.6 million, the Group reports a profit of HK\$1.5 million in the interim, compared to a loss of HK\$11.3 million in the same period last year. The Board has decided not to declare any interim dividend.

The outbreak of SARS in the first half of the fiscal year has postponed the much-anticipated economic recovery in Hong Kong and Taiwan. Business was seriously affected during the SARS period. However, there was a rapid economic recovery after the crisis, which was mainly prompted by a better local economy and the thriving stock market.

Several new shops have been opened since the commencement of the fiscal year, as the Group continues to cultivate and grow its major brands. In Hong Kong, three new enlarged Boss flagship shops were opened in October at Canton Road, Pacific Place and International Finance Centre respectively. All the new shops now feature both the men's and women's collections. In November, the Joyce Beauty shop at Russell Street was relocated to a larger premise at Times Square, with new services, like facial treatments offered for the first time. In Taiwan, three Marc by Marc Jacobs shops were opened in Taipei and Taichung in April and May respectively.

The Group has launched its China distribution activities since the Spring/Summer 2003 season and the progress has been smooth. Most of the business in China is derived from sub-franchising. Within this 2003-04 interim period, the Group has opened two Versace shops, one Versus shop, one Missoni shop and one Missoni Sports shop in Beijing, Guangzhou, Wenzhou and Harbin. In the second half of the fiscal year, there will be more sub-franchising shops opening in Shanghai, Beijing, Hangzhou, Chengdu, Chongqing and Xian.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the six months ended 30 September 2003**

		<b>Unaudited</b>	(Restated)
		<b>30/09/2003</b>	Unaudited
	<b>Note</b>	<b>HK\$'000</b>	30/09/2002
			HK\$'000
Turnover	2	<b>252,445</b>	249,568
Other revenues	3	<b>15,082</b>	2,770
		<u><b>267,527</b></u>	<u>252,338</u>
Direct costs and operating expenses		<b>(226,832)</b>	(218,473)
Selling and marketing expenses		<b>(12,268)</b>	(11,630)
Administrative expenses		<b>(26,490)</b>	(30,708)
Other operating expenses		—	(2,709)
Operating profit/(loss)	3	<u><b>1,937</b></u>	<u>(11,182)</u>
Borrowing costs	4	<b>(124)</b>	(107)
Profit/(loss) before taxation		<u><b>1,813</b></u>	<u>(11,289)</u>
Taxation	5	<b>(300)</b>	—
<b>Profit/(loss) attributable to shareholders</b>		<u><b>1,513</b></u>	<u>(11,289)</u>
<b>Earnings/(loss) per share</b>	<b>6</b>		
- Basic		<u><b>0.1 cent</b></u>	<u>(0.7) cents</u>
- Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED BALANCE SHEET**  
**at 30 September 2003**

		<b>Unaudited</b>	(Restated)
		<b>30/09/2003</b>	31/03/2003
	<b>Note</b>	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Fixed assets		<b>31,470</b>	38,321
Deposits, prepayments and other assets		<b>20,345</b>	16,640
Deferred tax assets		<b>2,100</b>	2,400
		<u><b>53,915</b></u>	<u>57,361</u>
<b>Current assets</b>			
Inventories		<b>81,862</b>	88,319
Trade and other receivables	8	<b>18,593</b>	16,807
Deposits, prepayments and other assets		<b>13,653</b>	20,336
Bank balances and cash		<b>246,602</b>	226,187
		<u><b>360,710</b></u>	<u>351,649</u>
<b>Current liabilities</b>			
Trade and bills payables	9	<b>49,898</b>	43,568
Other payables and accruals		<b>59,788</b>	61,358
Short-term bank loans and overdrafts		<b>8,044</b>	9,146
		<u><b>117,730</b></u>	<u>114,072</u>
<b>Net current assets</b>		<u><b>242,980</b></u>	<u>237,577</u>
<b>Total assets less current liabilities</b>		<u><b>296,895</b></u>	<u>294,938</u>
<b>Shareholders' fund</b>			
Share capital	10	<b>160,380</b>	160,000
Reserves		<b>136,515</b>	134,938
		<u><b>296,895</b></u>	<u>294,938</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30 September 2003**

	<b>Unaudited</b> <b>30/09/2003</b> <b>HK\$'000</b>	Unaudited 30/09/2002 HK\$'000
Net cash inflow from operating activities	<b>28,623</b>	6,308
Net cash outflow relating to investing activities	<b>(7,550)</b>	(3,189)
Net cash (outflow)/inflow relating to financing activities	<b>(395)</b>	12
Increase in cash and cash equivalents	<b>20,678</b>	3,131
Effect of foreign exchange rate changes	<b>(263)</b>	(1,608)
<b>Cash and cash equivalents at beginning of period</b>	<b>226,187</b>	213,175
<b>Cash and cash equivalents at end of period</b>	<b>246,602</b>	214,698
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>246,602</b>	214,997
Bank overdrafts	—	(299)
	<b>246,602</b>	214,698

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 September 2003**

	<b>Unaudited</b> <b>30/09/2003</b> <b>HK\$'000</b>	(Restated) Unaudited 30/09/2002 HK\$'000
Total equity as at 1 April		
As previously reported	<b>292,538</b>	329,473
Prior period adjustments arising from changes		
in accounting policies for deferred tax	1 <b>2,400</b>	2,400
As restated	<b>294,938</b>	331,873
Exchange differences on translation		
of accounts of foreign entities	<b>(263)</b>	(1,900)
Profit/(loss) attributable to shareholders	<b>1,513</b>	(11,289)
Issue of new shares upon exercise of share options		
Share of capital	<b>380</b>	—
Share premium	<b>327</b>	—
<b>Total equity at 30 September</b>	<b>296,895</b>	318,684

---

## Notes to the Accounts

### (1) Basis of preparation

These unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except for the changes in accounting policies as described below.

#### **SSAP 12 (Revised) "Income taxes"**

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 April 2003, in order to comply with Statement of Standard Accounting Practice 12 (Revised) issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for deferred tax. A balance sheet method was used to recognise deferred tax in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The effect of adopting of the new accounting policy has been applied retrospectively. The shareholders' funds as at 1 April 2003 and 1 April 2002 were restated and increased by HK\$2,400,000. The adjustments represented deferred tax assets recognised in respect of temporary difference arising from fixed assets and deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The effect of change to income tax for the six months ended 30 September 2003 is an increased charge of HK\$300,000 (2002: Nil).

## (2) Segment information

The Group is principally engaged in sales of designer fashion garments, cosmetics, homeware and accessories, and in restaurant operations. The restaurant operation was ceased during the year ended 31 March 2003.

An analysis of the Group's segment information for the period by business segment is as follows:

	Segment Turnover		Segment Results	
	30/09/2003 HK\$'000	30/09/2002 HK\$'000	30/09/2003 HK\$'000	30/09/2002 HK\$'000
<b>Business segments:</b>				
Retail	252,445	245,933	1,937	(4,082)
Retail - discontinued				
Ad Hoc division	—	680	—	(3,191)
Food & beverages				
- discontinued segment	—	2,955	—	(3,909)
	<u>252,445</u>	<u>249,568</u>		
Operating profit/(loss)			1,937	(11,182)
Borrowing costs			(124)	(107)
Profit/(loss) before taxation			<u>1,813</u>	<u>(11,289)</u>
Taxation			(300)	—
Profit/(loss) attributable to shareholders			<u>1,513</u>	<u>(11,289)</u>

There are no sales or other transactions between the business segments.

An analysis of the Group's segment information for the period by geographical segment is as follows:

	Segment Turnover		Segment Results	
	30/09/2003 HK\$'000	30/09/2002 HK\$'000	30/09/2003 HK\$'000	30/09/2002 HK\$'000
<b>Geographical segments:</b>				
Hong Kong	216,216	224,359	7,043	(9,230)
Taiwan	34,871	24,886	(2,615)	(1,881)
Others	1,358	323	(2,491)	(71)
Total	<u>252,445</u>	<u>249,568</u>	<u>1,937</u>	<u>(11,182)</u>

The Group operates in two main geographical areas as follows:

Hong Kong - retail and food and beverages

Taiwan - retail only

There are no sales or other transactions between the geographical segments.

**(3) Operating profit/(loss)**

Operating profit/(loss) is arrived at after charging/(crediting) the followings:

	<b>30/09/2003</b>	30/09/2002
	<b>HK\$'000</b>	HK\$'000
Cost of inventories	<b>142,608</b>	128,492
Depreciation	<b>14,464</b>	17,350
Staff costs	<b>37,109</b>	39,251
Auditors' remuneration	<b>285</b>	300
Closure costs of cafe	—	2,709
Write back of provision for claims	—	(2,445)
Other revenues		
Realised exchange gains on forward exchange contracts	<b>(13,629)</b>	—
Sundry revenues	<b>(1,453)</b>	(2,770)
	<b><u>(15,082)</u></b>	<b><u>(2,770)</u></b>

**(4) Borrowing costs**

	<b>30/09/2003</b>	30/09/2002
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts	<b><u>124</u></b>	<b><u>107</u></b>

**(5) Taxation**

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward from previous years to offset against the net assessable profits generated during the period ended 30 September 2003 (2002: Nil).

No provision for overseas profits tax has been made as there were no net assessable profits generated during the period ended 30 September 2003 (2002: Nil).

Taxation in the consolidated profit and loss account represents:

	<b>30/09/2003</b>	30/09/2002
	<b>HK\$'000</b>	HK\$'000
Deferred taxation		
Reversal of temporary differences	<b>(525)</b>	—
Effect of increase in tax rate on deferred tax	<b>225</b>	—
	<b><u>(300)</u></b>	<b><u>—</u></b>



**(6) Earnings/(loss) per share****(a) Basic earnings/(loss) per share**

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$1,513,000 (2002: loss of HK\$11,289,000) and on the weighted average number of ordinary shares of 1,600,539,891 (2002: 1,600,000,000) in issue during the period.

**(b) Diluted earnings per share**

As the share options of the Company would not result in the issue of ordinary shares for less than fair value, there was no dilutive effect on the earnings/(loss) per share for either the period ended 30 September 2003 or 30 September 2002.

**(7) Interim dividend**

The Board has resolved not to declare any interim dividend for the period ended 30 September 2003 (2002: Nil).

**(8) Trade and other receivables**

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2003 as follows:

	<b>30/09/2003</b> <b>HK\$'000</b>	31/03/2003 HK\$'000
Within 30 days	<b>12,134</b>	9,234
Between 31 to 60 days	<b>1,468</b>	1,231
Between 61 to 90 days	<b>32</b>	20
Over 90 days	<b>11</b>	—
	<b><u>13,645</u></b>	<u>10,485</u>

**(9) Trade and bills payables**

The ageing analysis of trade and bills payables at 30 September 2003 is as follows:

	<b>30/09/2003</b> <b>HK\$'000</b>	31/03/2003 HK\$'000
Within 30 days	<b>36,658</b>	32,156
Between 31 to 60 days	<b>9,111</b>	7,958
Between 61 to 90 days	<b>3,854</b>	2,819
Over 90 days	<b>275</b>	635
	<b><u>49,898</u></b>	<u>43,568</u>

**(10) Share capital**

	No. of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
Balance at 31/03/2003 and 30/09/2003	3,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Balance as 31/03/2003	1,600,000,000	160,000
Exercise of share options	3,800,000	380
Balance at 30/9/2003	<u>1,603,800,000</u>	<u>160,380</u>

**(11) Commitments****(a) Operating lease commitments**

At 30 September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2003 HK\$'000	31/03/2003 HK\$'000
Land and buildings:		
Not later than one year	76,686	79,204
Later than one year and not later than five years	128,317	105,837
Later than five years	—	1,815
	<u>205,003</u>	<u>186,856</u>

**(b) Forward exchange contracts**

	30/09/2003 HK\$'000	31/03/2003 HK\$'000
Forward foreign exchange contracts outstanding	<u>25,794</u>	<u>113,999</u>

**(c) Capital commitments**

There were no significant capital commitments outstanding at 30 September 2003 (31/03/2003: Nil).

**(12) Contingent liabilities**

There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank facilities up to HK\$345,620,000 (31/03/2003: HK\$345,620,000).

## (13) Material related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	30/09/2003 HK\$'000	30/09/2002 HK\$'000
Rental expenses paid to a fellow subsidiary (Note)	<u>1,302</u>	<u>1,370</u>

Note: The rental expenses related to the leasing of certain retail areas/shops were based on estimated open market rentals.

## (14) Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for income taxes in order to comply with SSAP 12 (Revised), detail of which is set out in Note (1) to the Accounts.

## (15) Review of unaudited interim accounts

The unaudited interim accounts for the six months ended 30 September 2003 have been reviewed by the audit committee of the Company.

## COMMENTARY ON INTERIM ACCOUNTS

### (I) Review of 2003/04 Interim Results and Segmental Performance

Group profit attributable to Shareholders for the six-month period ended 30 September 2003 amounted to HK\$1.5 million, compared to a loss of HK\$11.3 million in the same period last year. Earnings per share was 0.1 cent.

The Group's turnover for the period was HK\$252.4 million, representing an increase of 1.2% over the same period last year. Despite the impact of the SARS outbreak on the retail market in the first quarter, the Group managed to maintain the turnover at last year's level by intensive marketing and promotional programmes and by developing its distribution business.

As a result of the increased promotional programmes during the period, the gross margin was lower than the same period last year.

During the period, the Group closed some of its outstanding forward exchange contracts realising in a non-recurring exchange gain of HK\$13.6 million. This has turned the trading net loss for the period of HK\$12.1 million into a net profit of HK\$1.5 million. The total operating costs have further reduced as compared to the same period last year mainly due to closure of non-performing shops in the previous fiscal year.

---

**(II) Liquidity and Financial Resources**

At 30 September 2003, the Group's total net deposits and cash amounted to HK\$238.6 million, representing total deposits and cash of HK\$246.6 million less total bank borrowings of HK\$8.0 million which are all repayable within one year.

At 30 September 2003, the Group had banking facilities in a total amount of HK\$271.3 million.

With its cash holdings and available banking facilities, the Group believes that it will have sufficient fund to pursue new potential investment opportunities.

Most of the Group's imported purchases are denominated in foreign currencies, primarily being Euro. To minimise exposure on foreign exchange fluctuations, the Group will from time to time review its foreign exchange position and, when it considers appropriate and necessary, will hedge its foreign exchange exposure by way of forward foreign exchange contracts. The amount of forward foreign exchange contracts outstanding as at 30 September 2003 is shown in Note (11) to the Accounts.

**(III) Employees**

The Group has approximately 340 staff. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group provides various job-related training programmes to staff periodically. Total staff costs for the six months ended 30 September 2003 amounted to HK\$37.1 million.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), at any time during the six months ended 30 September 2003.

**DIRECTORS' INTERESTS IN SHARES**

At 30 September 2003, Directors of the Company had the following beneficial interests, all being long positions, in the share capital of the Company:

	No. of Ordinary Shares	Nature of Interest
Mr. Walter K. W. Ma	368,000,000	Other Interest (See Note below)
Mrs. Joyce E. Ma	368,000,000	Other Interest (See Note below)
Ms. Adrienne M. Ma	368,000,000	Other Interest (See Note below)
Ms. Yvette T. Ma	368,000,000	Other Interest (See Note below)

*Note: The 368,000,000 shares in the Company stated above as 'Other Interest' against the names of Mr. Walter K. W. Ma, Mrs. Joyce E. Ma, Ms. Adrienne M. Ma and Ms. Yvette T. Ma (the "Ma Family"), represented an interest in the same block of shares comprised in certain trust property of which Mr. Walter Ma is the settlor and in which the Ma Family was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested. For the avoidance of doubt and double counting, it should be noted that such shareholding also represented the same block of shares as that of J. W. Mark Limited and Asiatruster Limited mentioned below in the section headed "Substantial Shareholders' Interests".*

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Company's Share Option Scheme (the "Scheme") held by a Director of the Company and movements thereof during the financial period:

Name of Director	Date granted (Date/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at	No. of ordinary shares represented by options exercised during the financial period	No. of ordinary shares represented by unexercised options outstanding as at	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consider- ation paid for the options granted (HK\$)
		01/04/2003		30/09/2003			
Ms. Adrienne M. Ma	28/06/2000	13,800,000	3,800,000	10,000,000	26/12/2000 to 25/06/2005	0.186	10

Except as disclosed above, as recorded in the register kept the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests, both long and short positions, held as at 30 September 2003 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and

- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2003 as recorded in the register kept by the Company under section 336 of the SFO:

Names	No. of Ordinary Shares
(i) Allied Wisdom International Limited	831,862,723
(ii) Wisdom Gateway Limited	831,862,723
(iii) Bermuda Trust (Guernsey) Limited	831,862,723
(iv) Mr. Peter K. C. Woo	831,862,723
(v) J. W. Mark Limited	*368,000,000
(vi) Asiatrust Limited	*368,000,000

\* *J. W. Mark Limited's and Asiatrust Limited's interests in 368,000,000 shares as stated above represented the same block of shares and have also been disclosed as other interest of the Ma Family above under section headed "Directors' Interests in Shares" above.*

*Note: For the avoidance of doubt and double counting, it should be noted that apart from the duplication of shareholdings in which both J. W. Mark Limited and Asiatrust Limited were deemed to be interested as stated above, duplication also occurs in respect of all the shareholdings stated against parties (i) to (iv) above in that they all represented the same block of shares.*

All the interests stated above represented long positions and as at 30 September 2003, there were no short positions recorded in the said register.

## SHARE OPTIONS

Details of share options granted to Director(s) of the Company under the Scheme are set out in the above section headed "Directors' Interests in Shares".

Particulars, and movements during the financial period of the Company's outstanding share options which were granted to two employees (one of whom is a Director of the Company), both of whom are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits, were as follows:

<b>Date granted (Date/Month/Year)</b>	<b>No. of ordinary shares represented by unexercised options outstanding as at 01/04/2003</b>	<b>No. of ordinary shares represented by options exercised during the financial period</b>	<b>No. of ordinary shares represented by unexercised options outstanding as at 30/09/2003</b>	<b>Period during which rights exercisable (Day/Month/Year)</b>	<b>Price per share to be paid on exercise of options (HK\$)</b>
28/06/2000	19,800,000	3,800,000	16,000,000	26/12/2000 to 25/06/2005	0.186

The closing price of the shares of the Company immediately before the day of exercise of option (all exercised on the same day) as stated above was HK\$0.475 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial period.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

By Order of the Board  
**Wilson W. S. Chan**  
*Secretary*

Hong Kong, 18 November 2003

